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# A Review of Research Progress on Direct Selling in China Mainland and Taiwan

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**Abstract:** The paper reviewed research progress of direct selling in China mainland and Taiwan, introduced the mainly research contents in this field in social level, enterprise level, direct distributor level and consumer level, compared the research in China mainland with them in Taiwan. The conclusions can provide references for researchers, government, consumers and public people. This research showed that with matured development of direct selling industry in Taiwan, many scholars in Taiwan focused on direct selling industry in long-term, they published many high quality academic papers, and major contents of their research involved operation and management of enterprises or direct sellers. In China mainland, multilevel direct selling is restricted by laws, half of scholars in mainland focus on laws and institutions about direct selling, but only a few scholars focus on direct selling industry in long-term, and they published a few high quality academic papers. Many masters' theses and a few doctoral dissertations involved direct selling. Academic research on direct selling in China mainland was behind which in Taiwan.

**Keywords:** direct selling, illegal pyramid selling, mainland, Taiwan, research progress, direct distributor, direct seller

## 1. INTRODUCTION

Products can be selling not only in the store but also out the store. As a means of non-store selling, direct selling is face-to-face selling in place away from a fixed retail location. Direct selling includes single level selling and multilevel selling. Single level direct selling is defined as company selling products through one level salespeople, multilevel direct selling is company selling products through more than one level salespeople. With the qualitative change of multilevel selling, illegal pyramid selling resulted. At present, multilevel direct selling has been main trends in direct selling industry all over the world <sup>[1]</sup>.

Southwest Publish Company sold the Bible in 1855, and AVON Company sold perfumes in the United States in 1856, the result was the single level selling developed from then. Nutritive Company sold earliest the nutritional foods by means of multilevel direct selling in 1945.

In 1982, an American company named Amway entered Taiwan, this marked direct selling industry beginning to develop in Taiwan. But then some illegal pyramid selling companies were established, they hurt the direct selling's image in public, so development of direct selling industry was hindered in Taiwan. With the fair trade laws published in 1991 and administrative rules governing multilevel direct selling published in 1992, direct selling industry developed gradually in Taiwan <sup>[2]</sup>.

AVON Company entered Guangzhou province in 1990, this marked direct selling industry beginning to develop in China mainland. Direct selling industry experienced four stages in China: rising stage since 1990 to 1993, chaos and preliminary rules stage since 1990 to 1993, stage of illegal pyramid selling being forbidden by the government and some foreign capital enterprises transformation their operation model since 1998 to 2005, stage of opening market and regulations being formulated since 2005. The amendment to the criminal law VII invoked criminal legislation for illegal pyramid selling in China mainland in 2009.

Accompanied by development of direct selling activities in Taiwan, academic research in this area developed. Academy center of direct selling was established in national Chungshan University. Professor Derfa Robert Chen, the head of academy center of direct selling sponsored the academic symposium on direct selling

since 1994 to 2013 <sup>[3]</sup>. The academic symposium promoted greatly the improvement of academic of direct selling in China mainland and Taiwan. A large number of papers about multilevel direct selling were published in Taiwan since 1991.

Associated with Chinese market development of direct selling, World (China) direct selling research centre, research center for direct selling at Peking University, and china direct selling research center at Nanjing University established in china mainland, they promoted greatly the improvement of academic research of direct selling.

This paper reviewed the scientific research literatures in direct selling area in China mainland and Taiwan, introduces the detailed research contents, the conclusions can provide references for researchers, government, consumers, and public people.

## **2. THE MAIN RESEACH CONTENTS IN DIRECT SELLING IN CHINA MAINLAND AND TAIWAN**

Direct selling activities include from microscopic to macroscopic: social level, enterprise level, direct distributor level and consumer level. The research contents also include these four levels. The main research contents in direct selling in China mainland and Taiwan introduced following.

### **2.1 Direct selling research in social level**

Direct selling research in social level include laws and policy about direct selling, direct selling' image in the mind of the public, taxes about direct selling, and so on.

#### **2.1.1 Laws and policy of direct selling**

Chinese researchers made a deep study of the issue of laws and policy about direct selling in various aspects and they published a large number of papers. Main research contents include: comparing management policy of direct selling in China with them in American; fair trade laws in Taiwan; the administration measures of multilevel direct selling; legal relationship between direct selling companies, direct seller and consumer; legal problems involved foreign investors which entered Chinese market. Legislation of illegal pyramid selling crime; protection of direct seller's right and interests; laws questions of using the store in direct selling, legal character of the direct selling <sup>[4]</sup>, and so on.

#### **2.1.2 Direct selling' image in the mind of the public**

Some researchers studied on image of direct selling industry in Taiwan media and direct selling industry's image in mind of public and media in china mainland <sup>[5]</sup>. Some scholars researched on young people' cognition, emotion and behavior in direct selling industry, because young people will become primary consumers and direct sellers in the future.

#### **2.1.3 Taxes about direct selling**

Some researchers studied on following questions involved taxes: taxes of multilevel direct selling; income tax of direct distributors; tax administration; tax plan; comparing direct distributors' taxes in deferent countries, and so on.

In addition, Job Tsui, Derfa Robert Chen (2011) fined that economic crisis in recent history encouraged development of direct selling industry greatly and the development of direct selling industry relieved economic crisis <sup>[6]</sup>.

### **2.2 Direct selling research in enterprise level**

Direct selling research in enterprise level included: direct selling systems; development of direct selling industry; management of direct selling company, relationship and networking; performance evaluation;

marketing strategy, and so on.

### **2.2.1 Direct selling systems**

Research involved direct selling system included: definition and difference between traditional distribution channels, direct selling industry, direct marketing, multilevel direct selling and illegal pyramid selling; comparing the insurance industry with multilevel direct selling industry; basic belief and marketing behavior of multilevel direct selling; multilevel direct selling systems; value chain of direct selling enterprises; self-organization of multilevel marketing system <sup>[7]</sup>, bonus system of direct selling, and so on.

### **2.2.2 Development of direct selling industry**

Research involved development of direct selling industry included: development of multilevel direct selling in Taiwan; crisis of Taiwanese business investments in the mainland in direct selling industry; development of direct selling in mainland after China enters the WTO; discussions of development of direct selling in china after laws of direct selling published in 2005.

### **2.2.3 Management of direct selling company**

Many scholars researched management of direct selling companies, detail contents they researched include: relationship between function strategies and performance; management of multilevel direct selling networking; quality of service which companies offered to direct sellers; service transference system and performance of multilevel direct selling company in Taiwan; knowledge management in multilevel direct selling industry; the competitiveness of the direct selling company; the process of direct sellers shaped by organization; culture of direct selling company; company behavior in the change of administrative system in China mainland. Some scholars researched management of direct selling companies through the case analysis.

Bonus system of direct selling not only attracts many direct sellers, but also attracts many scholars to research.

### **2.2.4 Relationship and networking in direct selling**

Many scholars pay attention to relationship and networking because direct distributors communicate and sell products through their relationship and networking. Detailed studies of relationship and networking in direct selling include: effect of integrating e-commerce, multilevel direct selling and networking; management of organizational networking in multilevel direct selling; trust of people and networking; mechanism of the direct selling networking expansion; interpersonal communication; marketing strategy of relationship between enterprise and direct sellers, and so on.

### **2.2.5 Performance evaluation**

Detailed research contents on this subject include: evaluation model of management performance in multilevel direct selling company; service quality and its evaluation of logistics center distributing; the evaluation model and evaluation index of experience marketing of direct selling products, and so on.

### **2.2.6 Marketing strategy**

Many scholars researched marketing strategies of direct selling company. Detailed research contents on the subject include: marketing creation, relevance between brand image and sales performance, internal marketing.

Some scholars researched product strategies such as: development of the new product, brand management, relationship between brand building and enterprise development.

Many scholars researched price strategies and positioning, integrated marketing communication, e-commerce, internet marketing, and they have acquired many achievements on this subject.

Some scholars focus on marketing channels in direct selling industry, researched following problems: the combination and conflict between many different channels; the factors influencing setting up logistic center of direct selling industry; logistics problem of direct selling industry, and so on.

Other studies in enterprise level include: mobile commerce patterns in direct selling industry; practicality

of public direct selling; supply to meet demand of the education and training in direct selling industry; training system in direct selling industry; financial systems of direct selling enterprise; management of direct seller; and so on.

## **2.3 Direct distributor level**

Direct distributor is the mainstay of direct selling industry. Many scholars researched direct distributors, detailed research contents on the subject include: general characteristics of direct distributors; problems of female direct distributors; performance and its influences; satisfaction and loyalty of direct distributors; communication; e-commerce, and so on.

### **2.3.1 Characteristics of direct distributors**

Research involved characteristics of direct distributor included; lifestyle, personal traits of direct distributors; characteristics of the full-time and part-time direct distributors; characteristics of direct distributors in different areas; expenditure of direct distributors; influences of informal employment in direct selling industry; characteristics of employment in direct selling industry; analysis and prediction of number of direct distributors, and so on.

### **2.3.2 Problems of female direct distributors**

A majority of direct distributors are female, so some scholars researched this subject. Detailed studies include: the process of female direct distributors shaped by organization; rationality and irrationality of female direct distributors in their employment choice and turnover; social recognition of female direct distributors in the processes from they being attracted to become a director distributor to leave this employment.

### **2.3.3 Performance and its influencers**

Direct distributors' success and performance influenced by many factors <sup>[8]</sup>, such as personal traits, leadership traits, leadership style, organizational culture, organizational recognition, commitment, truth, relationship <sup>[9]</sup>, work values, work satisfaction, self efficacy, and so on. Direct distributors should consider many factors when they enter to direct selling enterprise, and enterprise should consider many factors such as work characteristics, psychology quality, personal traits, and influencers of sales performance when they recruit distributors. Many scholars researched these problems.

### **2.3.4 Satisfaction and loyalty**

High turnover rate is a marked characteristic in direct selling industry. Direct distributors' satisfaction and loyalty is important in this industry. As a result, many scholars researched this subject from different angles such as involvement, product refund, knowledge about direct selling <sup>[10]</sup>, organizational supporting in this industry, overseas tours awarded.

### **2.3.5 Communication**

Direct distributors' communication influenced on sales performance and promotion of career opportunity. Detailed research included: influencers of communication quality, communication model, and evaluation model of psychological effect to career opportunity' advertisement.

### **2.3.6 E-commerce**

Many scholars researched e-commerce in direct selling. Some direct selling company built web sites offering web marketing, different channels caused relationship to be disorder and conflict between suppliers and direct distributors, direct distributors response to the web marketing, and e-commerce influenced on truth of new direct distributors and their organization commitment to company.

### **2.3.7 Additional research of direct distributors**

Additional research of direct distributors subject are valuable, detailed contents include: the motivation of role transformation from a consumer to an operator; experience at the direct selling meeting; disorder behavior

of direct distributors; customer relationship management in direct selling; relationship between trust and member behavior; quit reasons of direct distributors; pressures of direct distributors' work; motivation, types and barriers of direct distributors' leisure.

## **2.4 Consumer behavior in direct selling**

Some scholars researched consumer behavior in direct selling, customer satisfaction and loyalty, buying attention, and so on.

Consumer behavior in direct selling is basic of developing marketing strategies and improving sales performance. Detailed contents include: consumer behavior in direct selling in Taiwan; customer characteristics of direct selling products in Taiwan; consumer lifestyle, important of product attributes and consumer motivation on health food; consumer behavior of college student in direct selling; consumer behavior and brand development strategy of beauty products, and so on.

Customer satisfaction and loyalty is a source of direct selling enterprises' profits. As a result, it is an important goal enterprises aimed at. Many scholars researched customer satisfaction and loyalty, and many findings resulted.

Many scholars researched consumer buying attention from different perspectives.

Additional research of consumer behavior include: consumer's likeness for direct selling; consumer involvement when products and services were sold as a package; frequency of buying multilevel direct selling products; crisis of consumer perceived, consumer antagonistic psychology; regret right in direct selling; protection consumer right in direct selling; consumer motivation <sup>[11]</sup>, and so on.

## **3. EVALUATION OF THE RESERCH PROGRESS ON DIRECT SELLING IN CHINA MAINLAND AND TAIWAN**

The academic symposium on direct selling sponsored by Professor Derfa Robert Chen published collected papers including almost 180 papers by 2013. The collected papers gathered high quantities of research literatures of direct selling in Taiwan; they represented the major scholars, research contents and research quality. Qian Yang and Yongsheng Jin, the scholars in China mainland, contributed papers first and successfully to the academic symposium on direct selling in 2003, since then, scholars in China mainland, such as Yingzi Huang, Qing Zhan and the others contributed papers successfully to the academic symposium. However, in general, papers of scholars in China mainland are a very small proportion in the total collected papers. The research contents of scholars in Taiwan are wide involving social level, enterprise level, direct distributor level and consumer level, and this associated with complete laws and developed direct selling industry in Taiwan. Research of scholars in Taiwan paid more attention to enterprise level and direct distributor level; they focused more on multilevel direct selling. Research patterns and methods are important in their papers. Overall, research quality of scholars in Taiwan is higher.

Comparing with research of scholars in Taiwan, research quality of scholars in China mainland is unbalanced. There are small quantities of scholars in China mainland paying attention to direct selling industry. Many masters' thesis and a few doctoral dissertations involve direct selling, they published a small number of papers about direct selling, only some papers are high quality, their research contents involve mostly direct selling laws and system, this associated with multilevel direct selling being restricted by laws and direct selling industry in China mainland underdeveloped. In general, research quality of scholars in China mainland is still in a backward state.

#### 4. CONCLUSIONS

The paper reviewed research progress of direct selling in China mainland and Taiwan, introduced the mainly contents in this field in social level, enterprise level, direct distributor level and consumer level, compared the research in China mainland with them in Taiwan. The conclusions can provide references for researchers, government, consumers and public people. This research showed that with matured development of direct selling in Taiwan, many scholars in Taiwan focused on direct selling industry in long-term, they published many high quality academic papers, and major contents of their research involved operation and management of enterprises and direct sellers. In China mainland, multilevel direct selling is restricted by laws, half of scholars in mainland focused on laws and institutions about direct selling, but only a few scholars focused on direct selling industry in long-term, and they published a few high quality academic papers. Many masters' theses and a few doctoral dissertations involved direct selling. Academic research of direct selling in China mainland was behind which in Taiwan.

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